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SUBJECT: REMITTANCES REACH RECORD HIGH IN 2007

**¶1. SUMMARY:** Colombia's Central Bank expects 2007 to rank as a record year for remittance inflows with the total estimated to reach USD 4.4 billion. The amount represents Colombia's second highest source of legitimate foreign currency inflows after foreign direct investment (USD 7.5 billion), exceeding oil exports (USD 3.9 billion). The United States and Spain remain the two largest sources of remittances to Colombia, though Euro-denominated remittances appear on the rise. A slowing economy in the U.S. could bridle the flow of remittances to Colombia in 2008, but strong FDI, continued economic expansion of the Colombian economy, and high oil prices should offset any negative impact. END SUMMARY.

**¶2.** Colombia's 2005 census estimated that 3.3 million Colombians live abroad. Since 2005, Colombia's immigration service (DAS) estimates that almost 350,000 additional Colombians have left the country, though the annual total of emigrants appears to have decreased since the late 1990s. This significant expatriate population has remitted a steadily increasing flow of foreign currency to Colombia since 1999. Although final calculations remain pending, 2007 remittances appear on track to increase 13 percent over 2006 and have nearly tripled since 2000. The average value of each remittance also increased from USD 264 to USD 341.

**¶3.** In 2007, total estimated remittances amounted to 2.6 times Colombia's coffee exports and 1.2 times coal exports. The United States and Spain continue to rank as the main sources of remittances, each supplying approximately 40 percent of the total. Venezuela, the United Kingdom, Italy and Ecuador together account for an additional 13 percent of remittances to Colombia.

**¶4.** While our Central Bank contacts do not have precise data on the breakdown of remittances in Euros and the U.S. dollars, they acknowledge that Euro-denominated remittances have risen and the Euro's appreciation versus the dollar constitutes at least part of the increase in the value of remittances to Colombia. However, their calculations indicate that the overall pace of inflows, facilitated by the steady decrease in wire fees charged by international money services and Colombian banks, and the higher amount per transaction account for the majority of the increase in 2007.

**¶5.** Some local observers believe the rate of growth in remittances will slow in 2008 as the U.S. economy cools, the dollar remains weak, and the emigration of Colombians continues to slow as economic and security prospects improve in Colombia. Nevertheless, the overall impact of a moderate decrease in remittances to the Colombian economy should remain minimal given expectations for approximately five

percent GDP growth in 2008, rising FDI inflows, and high oil prices.  
Nichols